

Message Text

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PAGE 01 STATE 266379

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TO AMEMBASSY KABUL

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FOLLOWING REPEAT NEW DELHI 16104 ACTION SECSTATE INFO COLOMBO
DACCA ISLAMABAD KATHMANDU LONDON TEHRAN BOMBAY CALCUTTA MADRAS
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QUOTE

LIMITED OFFICIAL USE NEW DELHI 16104

E.O. 11652: N/A

TAGS: PFOR, ETRD, IN, PK

SUBJ: INDIA AND PAKISTAN AGREE TO RESUME TRADE

REF: NEW DELHI 15953 (NOTAL), ISLAMABAD 11255

1. FOLLOWING VERY AMICABLE NEGOTIATIONS
GOVERNMENT DELEGATIONS
OF INDIA AND PAKISTAN MEETING IN NEW DELHI FROM NOVEMBER 26-27,
WITH THREE FURTHER DAYS FOR LOOKING AT INDUSTRIAL AREAS AND
TOURING AGRA, AGREED ON A PROTOCOL TO RESUME TRADE EFFECTIVE
DECEMBER 7, 1974. SUCH TRADE HAD BEEN BANNED SINCE THE INDO-PAK
WAR OF 1965. THE
PROTOCOL IS TO BE FOLLOWED BY A FORMAL TRADE AGREEMENT IN JANUARY
1975 AND AN INDIAN DELEGATION WILL VISIT PAKISTAN. INDIAN AND
PAKISTAN OFFICIALS ARE TO MEET LATER THIS MONTH TO WORK OUT
ARRANGEMENTS ON SHIPPING SERVICES. TRADE BY ROAD CAN BE RESUMED AT
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PAGE 02 STATE 266379

ANY TIME. REOPENING OF RAIL LINKS WILL TAKE LONGER BECAUSE OF

REPAIRS TO BRIDGES AND THE NEED TO RECONSTRUCT GAPS IN THE TRACK.

2. OTHER POINTS OF INTEREST, ADDITIONAL TO THOSE DESCRIBED IN REFTELS ARE AS FOLLOWS:

WHILE THE PROTOCOL BECOMES EFFECTIVE ON NOVEMBER 30, THE TWO COUNTRIES WILL TAKE STEPS TO LIFT THE EMBARGO ON TRADE EFFECTIVE DECEMBER 7, 1974. INDIAN OFFICIALS SAY THIS WAS PICKED AS THE EARLIEST DATE ON WHICH THE LEGAL STEPS TO LIFT THE BAN COULD BE TAKEN.

THE PROTOCOL IS IN NO SENSE A TRADE PLAN. TRADE IS TO BE CONDUCTED IN FREE FOREIGN EXCHANGE AND THERE IS NO REQUIREMENT, NOR NECESSARY EXPECTATION THAT TRADE WILL BE BALANCED. FOR INDICATIVE PURPOSES, HOWEVER, LIKELY ITEMS FOR COMMENCING TRADE INITIALLY WERE MENTIONED: COTTON AND RICE EXPORTS FROM PAKISTAN AND ENGINEERING GOODS, JUTE MANUFACTURES, IRON ORE (SEE REFTEL), RAILROAD EQUIPMENT, AND TEA EXPORTS FROM INDIA. WHILE TARGETS WERE AVOIDED AND INDIAN OFFICIALS ARE CAUTIOUS ON ESTIMATING HOW FAST AND HOW MUCH TRADE WILL BE DEVELOPED, THE INDIANS DID TELL THE PAKS THEY MIGHT BUY FROM 100,000 TO 200,000 TONS OF MEDIUM STAPLE COTTON. ADDITIONAL PRODUCTS WILL PROBABLY BE ADDED IN JANUARY.

WHILE INITIALLY TRADE IS TO BE CARRIED ON BY GOVERNMENT BODIES, THE INDIANS SAY THEY HOPE THIS LIMITATION WILL BE SHORT-LIVED. THEY AGREED TO THIS PARTIALLY AS A CONCESSION TO THE PAKS, WHO HAVE CHanneled MUCH TRADE THROUGH OFFICIAL AGENCIES, AND ALSO TO PROVIDE FOCAL POINTS IN A SITUATION WHERE NORMAL COMMERCIAL CONTACTS ARE TOTALLY LACKING.

3. IMMEDIATELY AFTER PARTITION OF INDIA AND PAKISTAN IN 1947, TRADE BETWEEN THE TWO COUNTRIES TOTALED APPROXIMATELY RS. 1,100 MILLION ANNUALLY IN BOTH DIRECTIONS. IT GRADUALLY DROPPED TO ONLY RS. 100 MILLION BY 1965 BECAUSE OF POLITICAL DIFFERENCES BETWEEN INDIA AND PAKISTAN AND ALSO BY THE SIMULTANEOUS DEVELOPMENT OF AGRICULTURE-BASED AND OTHER INDUSTRIES IN THE TWO COUNTRIES. THE BULK OF THE TRADE WAS BETWEEN INDIA AND EAST PAKISTAN -- NOW BANGLADESH -- RATHER THAN BETWEEN INDIA AND WEST PAKISTAN.

4. WE ARE POUCHING THE TEXT OF THE PROTOCOL.

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PAGE 03 STATE 266379

5. COMMENT: THE PROTOCOL CONSTITUTES ONLY A DECLARATION OF INTENT. MORE IMPORTANT MAY BE THE NEGOTIATIONS ON THE FORMAL TRADE AGREEMENT AND ON AMOUNTS AND PRICES OF INDIVIDUAL TRANSACTIONS. EVEN SO, THE PROTOCOL MARKS A POSSIBLE BEGINNING OF A NEW RELATIONSHIP. ALTHOUGH NEIGHBORS, THE TWO COUNTRIES HAVE DEVELOPED SEPARATELY AND ESSENTIALLY WITHOUT TRADE FOR THE PAST 27 YEARS. NOW THEY ARE RE-DISCOVERING THE OLD OPPORTUNITIES FOR

TRADE (E.G., RAW COTTON EXPORTS FROM PAKISTAN TO INDIA) AND
INVESTIGATING FOR THE FIRST TIME THE POSSIBILITIES OF TRADE
RESULTING FROM THEIR ECONOMIC DEVELOPMENT OVER THE PAST 27 YEARS
(E.G., IRON ORE EXPORTS FROM
INDIA TO PAKISTAN).
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